

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature <i>Christina M. Kostink</i>	Printed Name		License Number	

**Township of Richmond
Macomb County, Michigan**

**Financial Report
with Supplemental Information
June 30, 2006**

Township of Richmond

Contents

Report Letter	I
Management's Discussion and Analysis	2-5
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Assets	6
Statement of Activities	7
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	8
Statement of Revenue, Expenditures, and Changes in Fund Balances	9
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	10
Fiduciary Fund - Agency Fund - Statement of Assets and Liabilities	11
Notes to Financial Statements	12-21
Required Supplemental Information	22
Budgetary Comparison Schedule - General Fund	23-24



Plante & Moran, PLLC
Suite 300
19176 Hall Road
Clinton Township, MI 48038
Tel: 586.416.4900
Fax: 586.416.4901
plantemoran.com

Independent Auditor's Report

To the Board of Trustees
Township of Richmond
Macomb County, Michigan

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Township of Richmond as of and for the year ended June 30, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Richmond, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Township of Richmond as of June 30, 2006 and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedule, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Plante & Moran, PLLC

November 3, 2006

A member of



A worldwide association of independent accounting firms

Township of Richmond

Management's Discussion and Analysis

Our discussion and analysis of the Township of Richmond, Michigan's (the "Township") financial performance provides an overview of the Township's financial activities for the fiscal year ended June 30, 2006. Please read it in conjunction with the Township's financial statements.

Financial Highlights

As discussed in further detail in this management's discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2006:

- Total net assets related to the Township's governmental activities increased by approximately \$60,000.
- Total governmental revenues increased by approximately \$128,000 this year. Most of this increase is due to increases in property tax revenue and charges for services.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements by providing information about the Township's most significant fund, the General Fund. The fiduciary fund statement provides financial information about activity for which the Township acts solely as an agent for the benefit of those outside of the government.

Township of Richmond

Management's Discussion and Analysis (Continued)

Township of Richmond as a Whole

The following table shows the net assets of the governmental activities in a condensed format as of June 30, 2006 in comparison to the prior year (in thousands of dollars).

TABLE I

	Governmental Activities	
	2006	2005
Assets		
Current assets	\$ 593	\$ 591
Noncurrent assets	<u>1,561</u>	<u>1,516</u>
Total assets	2,154	2,107
Liabilities		
Current liabilities	100	78
Long-term liabilities	<u>260</u>	<u>295</u>
Total liabilities	<u>360</u>	<u>373</u>
Net Assets		
Invested in capital assets - Net of related debt	943	927
Restricted	20	28
Unrestricted	<u>831</u>	<u>779</u>
Total net assets	<u><u>\$ 1,794</u></u>	<u><u>\$ 1,734</u></u>

The Township's combined net assets increased 4 percent from a year ago - increasing from approximately \$1,734,000 to \$1,794,000. Unrestricted net assets are the portion of net assets that can be used to finance day-to-day operations. At June 30, 2006, approximately \$831,000 of the Township's net assets are unrestricted.

Township of Richmond

Management's Discussion and Analysis (Continued)

The following table shows the comparison of changes of the net assets of the governmental activities during the year ended June 30, 2006 to the prior year (in thousands of dollars).

TABLE 2	2006	2005
Revenue		
Program revenue:		
Charges for services	\$ 283	\$ 245
Operating grants and contributions	16	12
General revenue:		
Property taxes	289	226
State-shared revenue	235	231
Unrestricted investment earnings	16	9
Transfers and other revenue	70	58
Total revenue	909	781
Program Expenses		
General government	329	404
Public safety	270	228
Public works	214	197
Recreation and culture	24	18
Interest on long-term debt	12	13
Total program expenses	849	860
Change in Net Assets	\$ 60	\$ (79)

Governmental Activities

The Township's total governmental revenues were approximately \$909,000. The three largest revenue items are charges for services, including permits and garbage collection fees, which total 31.2 percent of the revenue, property taxes at 31.8 percent, and state-shared revenue at 25.9 percent. This fiscal year, total revenue increased compared to the prior year due to the growth in property tax revenues. Revenue from charges for services also increased due to an increase in the rubbish and recycling removal fee. General government expenses account for approximately 38.3 percent of the total amounts expended. In total, there was an increase in net assets totaling approximately \$60,000.

Township of Richmond

Management's Discussion and Analysis (Continued)

The General Fund

Our analysis of the Township's General Fund (the Township's only major fund) begins on page 8, following the government-wide financial statements. The fund financial statements provide detail information about the most significant fund, not the Township as a whole. The General Fund pays for the Township's governmental services. The most significant costs relate to general government services and public safety, which incurred approximately \$342,000 and \$268,000 of expenditures this year, respectively.

General Fund Budgetary Highlights

Over the course of the year, the Township amended the budget to take into account events during the year. The most significant changes were to increase the expenditures for attorney fees and landfill services by \$30,000 and \$40,250, respectively. The Township's General Fund fund balance decreased to \$492,000 at June 30, 2006.

Capital Asset and Debt Administration

At the end of 2006, the Township had \$1,238,000 invested in a broad range of capital assets, including buildings, furniture, and office equipment. Current year acquisitions of approximately \$50,000 included the replacement of Township Hall's roof and the purchase of several computers and other office equipment. There was no additional debt incurred in the current year.

Economic Factors and Next Year's Budgets and Rates

It is expected that the Township's property tax millage for operating purposes will decrease slightly next year while the millage for fire protection and EMS will increase slightly. Because of the impact of Proposal A, however, the Township needs to continue to watch its budget very closely. The state-wide Tax Reform Act limits growth in taxable value on any individual property to the lesser of inflation or 5 percent. Because some properties increase in value by less than inflation, the mathematical result of this is that the total taxable value for the Township will grow less than by inflation, before considering new property additions.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

Township of Richmond

Statement of Net Assets June 30, 2006

	Primary Government - Governmental Activities
Assets	
Cash and investments (Note 3)	\$ 432,341
Receivables:	
Accounts	76,476
Intergovernmental	77,233
Prepaid costs	7,000
Investment in joint venture (Note 8)	323,002
Capital assets (Note 5):	
Nondepreciable	489,000
Depreciable - Net	<u>748,678</u>
Total assets	2,153,730
Liabilities	
Accounts payable	62,104
Accrued and other liabilities	2,554
Noncurrent liabilities (Note 6):	
Due within one year	34,702
Due in more than one year	<u>260,206</u>
Total liabilities	<u>359,566</u>
Net Assets	
Invested in capital assets - Net of related debt	942,770
Restricted:	
Building code surplus	19,619
Liquor law enforcement	904
Unrestricted	<u>830,871</u>
Total net assets	<u><u>\$ 1,794,164</u></u>

Township of Richmond

Statement of Activities Year Ended June 30, 2006

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Charges for	Operating		Primary
Expenses	Services	Grants and Contributions		Government - Governmental
Functions/Programs				
Primary government - Governmental activities:				
General government	\$ 328,795	\$ -	\$ -	\$ (328,795)
Public safety	270,422	58,607	-	(211,815)
Public works	214,070	224,645	-	10,575
Recreation and culture	23,513	-	15,415	(8,098)
Interest on long-term debt	12,107	-	-	(12,107)
Total primary government	<u>\$ 848,907</u>	<u>\$ 283,252</u>	<u>\$ 15,415</u>	(550,240)
General revenues:				
Property taxes				288,993
State-shared revenues				234,549
Unrestricted investment earnings				16,380
Miscellaneous				70,211
Total general revenues				610,133
Change in Net Assets				59,893
Net Assets - Beginning of year				1,734,271
Net Assets - End of year				<u>\$ 1,794,164</u>

Township of Richmond

Governmental Funds Balance Sheet June 30, 2006

	Major Fund - General Fund	Nonmajor Governmental Fund - Liquor Law Enforcement Fund	Total Governmental Funds
Assets			
Cash and investments (Note 3)	\$ 432,092	\$ 249	\$ 432,341
Receivables:			
Accounts	76,476	-	76,476
Intergovernmental	76,578	655	77,233
Prepaid costs	7,000	-	7,000
Total assets	<u>\$ 592,146</u>	<u>\$ 904</u>	<u>\$ 593,050</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 62,104	\$ -	\$ 62,104
Accrued liabilities	2,554	-	2,554
Deferred revenue (Note 4)	41,739	-	41,739
Total liabilities	106,397	-	106,397
Fund Balances			
Reserved for:			
Building code surplus	19,619	-	19,619
Prepaid costs	7,000	-	7,000
Unreserved, reported in:			
General Fund	459,130	-	459,130
Special Revenue Fund	-	904	904
Total fund balances	485,749	904	486,653
Total liabilities and fund balances	<u>\$ 592,146</u>	<u>\$ 904</u>	<u>\$ 593,050</u>
Fund Balance - Total Governmental Funds			\$ 486,653
Amounts reported for governmental activities in the statement of net assets are different because:			
Capital assets used in governmental activities are not financial resources and are not reported in the funds			1,237,678
The investment in joint venture is not reported in the funds			323,002
Long-term liabilities are not due and payable in the current period and are not reported in the funds			(294,908)
Revenue related to receivables is reported in the statement of net assets at the time it is earned without regard to timeliness of remittance			41,739
Net Assets - Governmental Activities			<u>\$ 1,794,164</u>

Township of Richmond

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2006

	Major Fund - General Fund	Nonmajor Governmental Fund - Liquor Law Enforcement Fund	Total Governmental Funds
Revenue			
Property taxes	\$ 288,993	\$ -	\$ 288,993
Licenses and permits	57,952	-	57,952
Federal grants	15,415	-	15,415
State-shared - Grants and other revenues	233,646	-	233,646
Charges for services	224,645	-	224,645
Interest	16,380	-	16,380
Other	71,501	655	72,156
	<hr/>	<hr/>	<hr/>
Total revenue	908,532	655	909,187
Expenditures			
Current:			
General government	348,105	-	348,105
Public safety	267,796	641	268,437
Public works	213,195	-	213,195
Recreation and culture	14,065	-	14,065
Capital outlay	38,770	-	38,770
Debt service	45,530	-	45,530
	<hr/>	<hr/>	<hr/>
Total expenditures	927,461	641	928,102
	<hr/>	<hr/>	<hr/>
Excess of Revenue Over (Under) Expenditures	(18,929)	14	(18,915)
	<hr/>	<hr/>	<hr/>
Fund Balances - Beginning of year	504,678	890	505,568
	<hr/>	<hr/>	<hr/>
Fund Balances - End of year	<u>\$ 485,749</u>	<u>\$ 904</u>	<u>\$ 486,653</u>

Township of Richmond

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2006

Net Change in Fund Balances - Total Governmental Funds	\$	(18,915)
---	-----------	-----------------

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures;
in the statement of activities, these costs are allocated
over their estimated useful lives as depreciation:

Capital outlay expenditures		48,637
Depreciation expense		(65,936)

Revenue is reported in the statement of activities at the time it is earned, without regard to timeliness of collection		903
--	--	-----

Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)		33,423
---	--	--------

Income from joint venture is not recorded in the funds		61,781
--	--	--------

Change in Net Assets of Governmental Activities	\$	<u>59,893</u>
--	-----------	----------------------

Township of Richmond

Fiduciary Fund - Agency Fund Statement of Assets and Liabilities June 30, 2006

Assets - Cash and investments (Note 3)	\$ 59,513
Liabilities - Cash bonds and deposits	\$ 59,513

Township of Richmond

Notes to Financial Statements June 30, 2006

Note I - Summary of Significant Accounting Policies

The accounting policies of the Township of Richmond (the "Township") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township of Richmond:

Reporting Entity

The Township of Richmond is governed by an elected five-member board of trustees. The accompanying financial statements present the Township of Richmond, Macomb County, Michigan. There are no component units required to be included in these financial statements.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. Governmental activities are normally supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Township of Richmond

Notes to Financial Statements June 30, 2006

Note 1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the agency fund financial statement. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and claims and judgments are recorded only when payment is due.

The Township reports the following major fund:

General Fund - The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Additionally, the Township reports the following fund types:

Special Revenue Fund (Liquor Law Enforcement Fund) - The Special Revenue Fund is used to account for the proceeds of earmarked revenue requiring separate accounting because of legal or regulatory provisions.

Fiduciary Fund - Agency Fund - The Agency Fund accounts for assets held by the Township in a trustee capacity. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Township of Richmond

Notes to Financial Statements June 30, 2006

Note 1 - Summary of Significant Accounting Policies (Continued)

Property Tax Revenue

Property taxes are assessed as of December 31 and become a lien on December 1 of the following year. The related property taxes are billed on December 1 of the following year and are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls.

The 2005 taxable valuation of the Township totaled \$131 million, on which taxes levied consisted of 0.7990 mills for operating purposes and 1.4000 mills for fire protection and EMS. This resulted in approximately \$104,000 and \$183,000 for operating and fire protection, respectively. These amounts are recognized in the General Fund financial statements as tax revenue.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Prepaid Costs - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid costs in both government-wide and fund financial statements.

Capital Assets - Capital assets, which include property and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	20 years
Office furnishings	20 years
Equipment	5 to 10 years
Vehicles	15 years

Township of Richmond

Notes to Financial Statements June 30, 2006

Note 1 - Summary of Significant Accounting Policies (Continued)

Long-term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information - The annual budget is prepared by the Township supervisor and adopted by the Township Board; subsequent amendments are approved by the Township Board. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered. During the current year, the budget was amended in a legally permissible manner. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America for the General Fund and Special Revenue Fund.

The budget has been adopted on a line-item basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. The Township has not presented the amount of accumulated surplus from the prior fiscal year nor the expected ending surplus or deficit for the current fiscal year in its budget document.

Township of Richmond

Notes to Financial Statements June 30, 2006

Note 2 - Stewardship, Compliance, and Accountability (Continued)

Excess of Expenditures Over Appropriations - During the year, the Township incurred expenditures that were in excess of the amounts budgeted in the General Fund, as follows:

	Amended Budget	Actual
Payroll taxes	\$ 12,000	\$ 13,663
Postage and supplies	19,500	19,732
Attorney	45,000	46,045
Other professional services	15,000	19,213
Printing and publishing	4,500	10,553
Utilities	10,000	12,761
Ambulance service	116,160	162,224
Inspector's salary	49,000	58,951

The unfavorable variances were caused by unanticipated expenditures that became necessary during the year.

Construction Code Fees - The Township tracks the results of building department operations in the General Fund. In accordance with Michigan Public Act 245 of 1999, the Township is required to maintain an accounting system that separately accumulates revenue and expenditures related to the building department function. As required under the provisions of the Act, the Township adopted this accounting treatment effective January 1, 2000. Activity for the year ended June 30, 2006 was as follows:

Cumulative surplus - July 1, 2005	\$ 26,871
2005-2006 building department activity:	
Current year revenue	\$ 57,952
Current year expenditures	<u>(65,204)</u>
Excess of expenditures over revenue	<u>(7,252)</u>
Cumulative surplus - June 30, 2006	<u>\$ 19,619</u>

Township of Richmond

Notes to Financial Statements June 30, 2006

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Township has designated nine banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, and the remainder of state statutory authority as listed above. The Township's deposits and investment policies are in accordance with statutory authority.

The Township's cash and investments are subject to two types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Township's deposits may not be returned to it. The Township does not have a deposit policy for custodial credit risk. At year end, the Township had \$155,827 of bank deposits (checking and savings accounts) that were uninsured and uncollateralized. The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Township of Richmond

Notes to Financial Statements June 30, 2006

Note 3 - Deposits and Investments (Continued)

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The Township has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of the Township's investments are as follows:

Investment	Fair Value	Rating	Rating Organization
Bank investment pool	\$ 153,089	Not Rated	N/A
Mutual fund	106,524	Aaa	Moody's

Note 4 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At June 30, 2006, the entire balance of deferred revenue in the General Fund relates to state-shared revenues that are considered unavailable.

Township of Richmond

Notes to Financial Statements June 30, 2006

Note 5 - Capital Assets

Capital asset activity of the Township's governmental activities was as follows:

	Balance July 1, 2005	Additions	Disposals and Adjustments	Balance June 30, 2006
Governmental Activities				
Capital assets not being depreciated -				
Land	\$ 489,000	\$ -	\$ -	\$ 489,000
Capital assets being depreciated:				
Buildings and improvements	1,069,045	27,225	-	1,096,270
Office furnishings	51,276	-	-	51,276
Equipment	62,606	22,702	12,959	72,349
Vehicles	38,197	-	-	38,197
Subtotal	1,221,124	49,927	12,959	1,258,092
Accumulated depreciation:				
Buildings and improvements	381,960	52,708	-	434,668
Office furnishings	14,340	2,564	-	16,904
Equipment	49,162	8,117	11,669	45,610
Vehicles	9,685	2,547	-	12,232
Subtotal	455,147	65,936	11,669	509,414
Net capital assets being depreciated	765,977	(16,009)	1,290	748,678
Net capital assets	\$ 1,254,977	\$ (16,009)	\$ 1,290	\$ 1,237,678

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities:	
General government	\$ 53,979
Public safety	1,985
Public works	524
Recreation and culture	9,448
Total governmental activities	<u>\$ 65,936</u>

Township of Richmond

Notes to Financial Statements June 30, 2006

Note 6 - Long-term Debt

The Township of Richmond enters into an installment purchase agreement for the construction of facilities. Installment purchase agreements are general obligations of the government.

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	(Reductions)	Ending Balance	Due Within One Year
Governmental Activities						
Installment purchase agreements -						
Building construction:						
Amount of issue: \$500,000	3.73%	\$11,342 -				
Maturing through 10/5/2013		\$22,606	\$ 328,331	\$ (33,423)	\$ 294,908	\$ 34,702

Annual debt service requirements to maturity for the above obligations are as follows:

	Governmental Activities		
	Principal	Interest	Total
2007	\$ 34,702	\$ 10,828	\$ 45,530
2008	36,001	9,528	45,529
2009	37,401	8,129	45,530
2010	38,829	6,701	45,530
2011	40,311	5,218	45,529
2012-2013	107,664	6,195	113,859
Total	\$ 294,908	\$ 46,599	\$ 341,507

Note 7 - Risk Management

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Township has purchased commercial insurance for all the above claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Township of Richmond

Notes to Financial Statements June 30, 2006

Note 8 - Joint Venture

The Township is a member of the Richmond-Lenox E.M.S. Ambulance Authority (the "Authority"). The Authority is organized under the Ambulance Authority Act of the State of Michigan, with each township having a 50 percent interest. The Authority was established to provide the citizens of the two townships, as well as surrounding communities, with an emergency medical service through contractual agreements. The Township appoints two members to the joint venture's governing board. The boards of both Richmond Township and Lenox Township approve the annual budget.

The Township's equity interest in the joint venture at June 30, 2006, the latest available financial report, is \$323,002. The Township is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements can be obtained from the Township office at 34900 School Section Road, Richmond, MI 48062.

Required Supplemental Information

Township of Richmond

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<u>Revenue</u>				
Property taxes	\$ 276,837	\$ 276,837	\$ 288,993	\$ 12,156
Licenses and permits	62,000	62,000	57,952	(4,048)
Federal sources	3,200	3,200	15,415	12,215
State sources	239,155	239,155	233,646	(5,509)
Interest	-	-	16,380	16,380
Garbage collection	150,000	150,000	224,645	74,645
Other	60,000	60,000	71,501	11,501
Total revenue	791,192	791,192	908,532	117,340
<u>Expenditures</u>				
General Government				
Administration:				
Clerical salaries	56,000	56,000	46,614	9,386
Payroll taxes	12,000	12,000	13,663	(1,663)
Postage and supplies	15,000	19,500	19,732	(232)
Attorney	15,000	45,000	46,045	(1,045)
Audit and accounting	10,000	15,000	13,592	1,408
Other professional services	15,000	15,000	19,213	(4,213)
Telephone	4,000	4,250	3,535	715
Printing and publishing	4,500	4,500	10,553	(6,053)
Insurance	16,000	16,000	15,422	578
Utilities	9,000	10,000	12,761	(2,761)
Street lights	4,400	4,750	351	4,399
Miscellaneous	10,000	10,000	1,886	8,114
Dues and conferences	2,500	7,200	6,939	261
Employee benefits	10,155	10,155	9,787	368
Total administration	183,555	229,355	220,093	9,262

Township of Richmond

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Expenditures (Continued)				
General Government (Continued)				
Assessor	\$ 17,000	\$ 24,000	\$ 20,670	\$ 3,330
Trustees	6,000	6,950	6,508	442
Zoning enforcement officer	6,000	6,105	6,224	(119)
Equipment and building maintenance	12,600	24,600	19,312	5,288
Board of appeals	500	500	115	385
Elections	4,000	4,000	1,332	2,668
Planning commission	3,000	3,056	2,533	523
Board of review	1,200	1,200	960	240
Cemetery	600	685	592	93
Supervisor	20,500	23,375	20,237	3,138
Deputy supervisor	500	800	800	-
Clerk	21,000	22,150	20,183	1,967
Deputy clerk	2,000	2,000	1,925	75
Treasurer	20,000	21,750	19,621	2,129
Deputy treasurer	7,250	7,250	7,000	250
Total general government	305,705	377,776	348,105	29,671
Public Safety				
Ambulance service	116,160	116,160	162,224	(46,064)
Inspector's salary	45,000	49,000	58,951	(9,951)
Fire contracts	53,625	53,625	46,621	7,004
Total public safety	214,785	218,785	267,796	(49,011)
Landfill Services	144,000	184,250	173,790	10,460
Highways and Streets	44,500	44,500	39,405	5,095
Recreation and Cultural	11,000	17,000	14,065	2,935
Capital Outlay	12,000	45,000	38,770	6,230
Debt Service - Note redemption and interest	46,357	46,357	45,530	827
Total expenditures	778,347	933,668	927,461	6,207
Excess of Revenue Over (Under) Expenditures	<u>\$ 12,845</u>	<u>\$ (142,476)</u>	<u>\$ (18,929)</u>	<u>\$ 123,547</u>



Plante & Moran, PLLC
Suite 300
19176 Hall Road
Clinton Township, MI 48038
Tel: 586.416.4900
Fax: 586.416.4901
plantemoran.com

November 3, 2006

Board of Trustees
Township of Richmond
34900 School Section Road
Richmond, MI 48062

Dear Board Members:

We have recently completed our audit of the financial statements of the Township of Richmond for the year ended June 30, 2006. In addition to the audit report and letter to the Board, we offer the following comments and recommendations for your consideration:

Internal Control Matters

In planning and performing our audit of the financial statements of the Township of Richmond for the year ended June 30, 2006, we considered the Township's internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted instances involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components do not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we noted the following reportable conditions that we believe to be material weaknesses:

We noted a lack of segregation of duties exists since one individual performs virtually all of the accounting processing, including the processing of payroll. In a small office setting, adequate segregation of duties is challenging.

A member of



A worldwide association of independent accounting firms

However, controls may be enhanced with the implementation of more formal review, or supervisory review, of general ledger transactions, such as journal entries, payroll registers, or check registers, etc. as well as information provided to the Board for review. In addition, such review should be evidenced by the reviewer with their initials and the date. Such reviews will facilitate the identification and resolution of differences or unusual relationships in a timely manner.

Bank account reconciliations are one of the key elements of internal control, since they are the primary means of maintaining control over cash management. Account reconciliations also help ensure that all receipts and disbursements are appropriate and accounted for correctly. During the year ended June 30, 2006, it appeared that bank reconciliations were prepared in a timely manner. However, to further strengthen your controls in this area, we recommend that these reconciliations be initialed and dated by both the preparer and the reviewer. This would include reconciliations for both the General bank accounts and the Treasurer's tax account.

State Shared Revenue

As you are aware, the continuing budgetary challenges faced by the State impact the Township through its revenue sharing payments, which are the second largest source for the General Fund and the governmental activities as a whole. While the drastic declines in this funding source experienced in recent years appear to have slowed, it is clear that the total amount of money distributed is unlikely to increase without significant changes to the state's revenue structure. At this time, revenue sharing payments for fiscal year 2007 are anticipated to be just slightly above the 2006 levels.

It is important to recognize that the legislative authority for the statutory portion of revenue sharing runs out at September 30, 2007. We have not heard any significant discussion in Lansing regarding the plans for renewal at that time. Even though the Township has not received payments under this portion of the revenue sharing formula in nearly three years, it is still appropriate to initiate discussions with your state representative regarding the importance of the revenue sharing program.

Other Accounting Matters

Employee Vacation Days – It is our understanding that a small group of employees are allowed to earn vacation time. It appears that there is no adopted policy or formal procedures to record, track and relieve days earned by those employees eligible for vacation time and to describe the criteria for eligibility and the schedule according to which time is earned. We encourage the Township to establish detailed policies and procedures to track earned time, which will facilitate determining the liability for unused, vested time at year-end on the government-wide, full-accrual basis financial statements.

Outstanding Checks – During our testing of the Township's bank reconciliations, we noted several checks that have remained outstanding (not cashed) for more than a year. If the payees cannot be located, such amounts should typically be turned over to the State of Michigan's unclaimed property division (commonly referred to as "escheats").

Bond Activity – Current Township procedures prescribe that transactions related to building bonds be recorded in two separate general ledger accounts (one for receipts and one for disbursements). It was noted during our audit that these two accounts are not being used consistently. In some situations, receipts were recorded in the disbursements account and vice versa, while other transactions were posted to general ledger accounts other than the two designated for building bonds. Since this activity relates to monies held in an agency capacity by the Township on behalf of other parties, it is especially important that the transactions be properly segregated from the Township's operating activities. We encourage the Township to review procedures related to tracking bond monies and make any changes necessary to ensure proper procedures are consistently applied.

It was also noted during our review of the detailed bond listing that the listing did not agree to the cash balance in the bond account at the end of the year by an immaterial amount. We would recommend that the Township reconcile the detailed listing to the general ledger on a regular basis in order to identify and correct any potential problems in a timely manner. Any differences between the general ledger balance and the bond listing should be investigated and adjustments made as necessary.

Credit Card Policy – A credit card is used by the Township as a matter of convenience to make purchases of supplies. The use of credit cards can have a positive effect on internal control because it limits the number of transactions that would otherwise be handled in cash. However, because of the relative ease for which credit cards could be used for unauthorized purposes, State law (P.A. 266 of 1995), requires that a policy be adopted by the Township Board that governs the use of credit cards by Township employees. The policy is required to include provisions covering the employees responsible for monitoring credit card use and compliance with the Township's policies; minimum documentation guidelines purchase made with credit cards; and for the establishment of internal controls to monitor the use of credit cards.

We would like to thank the Board for the continued opportunity to serve as auditors for the Township. If you have any questions regarding these or any other matters, please contact us.

Very truly yours,

PLANTE & MORAN, PLLC



Christina M. Kostiuk



Lisa C. Manetta